

# **FISCAL NOTE**

## **HB 187 - SB 99**

February 20, 2003

**SUMMARY OF BILL:** Authorizes state purchasing officers to purchase materials, supplies or equipment included in a term contract on the open market if such materials, supplies or equipment meet the same specifications and can be purchased at a cost savings to the state. Presently, the Department of General Services can allow an agency to buy a specific commodity on the open market. However, this is done on a one-to-one basis.

### **ESTIMATED FISCAL IMPACT:**

**Decrease State Expenditures - Net Impact - Less than \$100,000 Recurring**

**Increase State Expenditures - Exceeds \$100,000 One-Time**

This estimate assumes:

- The amount of such purchases would not likely replace a significant number of purchases made using statewide contracts since proof that the price after considering additional paperwork and other factors is required of the department making the purchase.
- Modifications to the Tennessee On-Line Purchasing System (TOPS) will be required to allow any agency procurement officer to purchase materials, supplies or equipment included on term contracts on the open market. Assumes extensive revision of the processing logic of the Order System, including the creation of new data base tables, on-line screens and reports, and changes to virtually all program modules resulting in one-time state expenditures exceeding \$100,000.
- Additional staff time in the Department of General Services to monitor increased non-contract purchase activity and verify that items purchased are equivalent to contract items in terms of specifications, warranty, etc.
- Training for agency procurement staff so they may be able to evaluate the purchase of complex, high dollar value goods or services. Presently, staffs are allowed to procure non-contract goods under \$2,000 in total value.
- A potential loss of volume discounts if the amount of volume cannot be reasonably guaranteed.
- Savings realized would be offset by factors indicated above resulting in net savings to the state less than \$100,000 annually.

For information purposes, the Department of General Services has established more than 200 statewide contracts for common use goods and services with firm delivered pricing based on volume estimates for all departments and agencies. More than 2,000 agency term contracts have been established for individual state agencies with 71% of all purchase transactions being release orders against established term contracts.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director